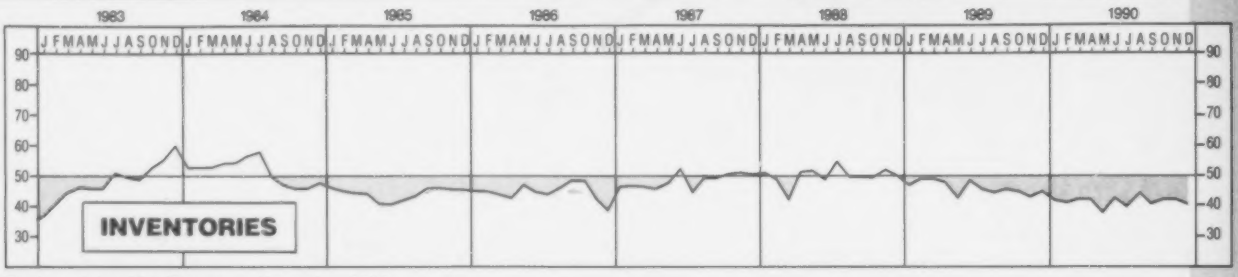
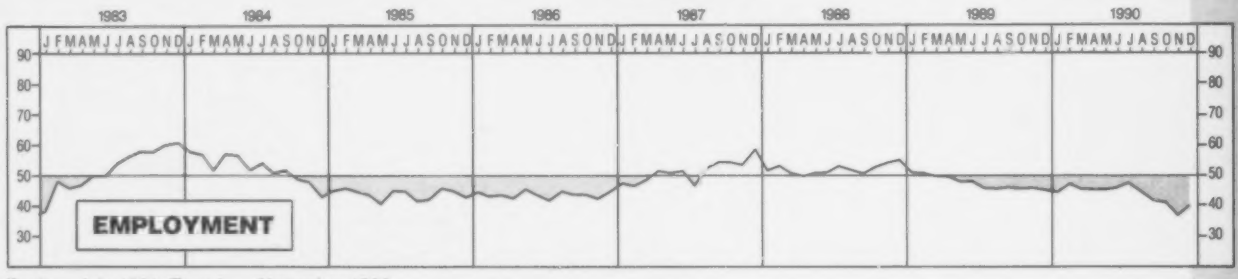


Peak — July 1981; Trough — November 1982.

Inventories declined in December for the 25th consecutive month, keeping pace with the decline in Production and reducing the possibility of excessive inventories. The Inventories Index fell to 40.3%, down from 42.3% in November and the lowest since July (39.3%).

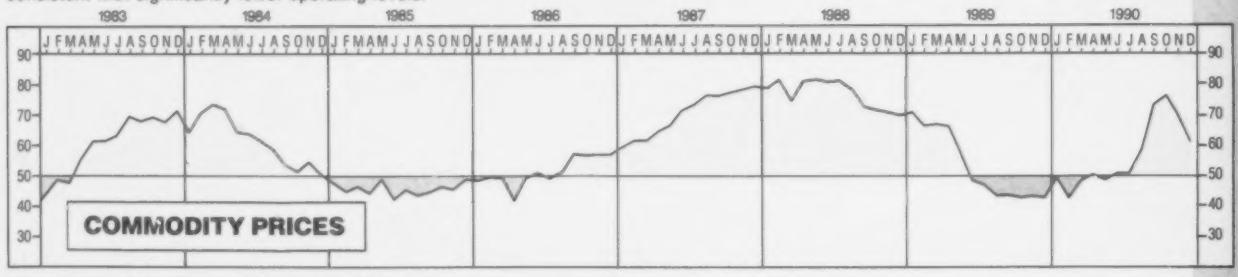
Inventories	%Higher	%Same	%Lower	Net	Index
December 1990	15	47	38	–23	40.3
November 1990	12	54	34	–22	42.3
October 1990	14	53	33	–19	42.0
September 1990	12	59	29	–17	40.8



Peak — July 1981; Trough — November 1982.

Employment declined in December for the 22nd consecutive month. The Employment Index rose to 39.5% from 36.7% in November, which was the lowest since December 1982 (36.3%). Members continued to report layoffs, plant closings, and consolidations along with hiring freezes and voluntary early-retirement programs to reduce employment consistent with significantly lower operating levels.

Employment	%Higher	%Same	%Lower	Net	Index
December 1990	7	61	32	–25	39.5
November 1990	5	62	33	–28	36.7
October 1990	9	63	28	–19	40.7
September 1990	8	65	27	–19	41.5



Peak — July 1981; Trough — November 1982.

Although Prices rose in December for the seventh consecutive month, the rate of increase dropped sharply for the second month in a row. The Price Index fell to 61.2%, down from 68.7% last month. As the peak of inflation stemming from the invasion of Kuwait appears to be over, a trend toward lower inflation should continue.

Prices	%Higher	%Same	%Lower	Net	Index
December 1990	32	55	13	+19	61.2
November 1990	44	46	10	+34	68.7
October 1990	56	38	6	+50	76.4
September 1990	50	44	6	+44	73.4

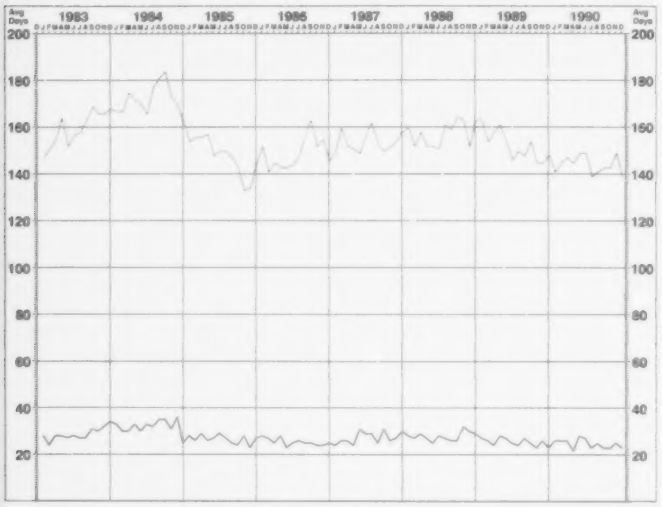
phenol, propylene oxide, and other chemicals); **Leather; Rosin** — Used in making varnish, varnish and paint dryers, inks, soap, waxes, polishes, floor coverings, paper, plastic, and sizing; **Adhesives** — 2nd consecutive month; **Lumber** — After being reported down in price in November for 6th consecutive month; **Paint** — 3rd consecutive month; **Diesel Fuel** — 5th consecutive month; **Gasoline** — 5th consecutive month; **Fuel Oil** — 5th consecutive month, some reports of price decreases; **Lubricants** — 3rd consecutive month; **Natural Gas** — 3rd consecutive month; **Petrochemicals** — 4th consecutive month; **Petroleum Products** — 5th consecutive month; **Apple Juice; Beef; Peanuts** — 4th time in 5 months; **Transportation Charges** — 4th consecutive month.

DOWN IN PRICE

Aluminum — 2nd consecutive month; **Brass** — 2nd consecutive month; **Copper** — 2nd consecutive month, after being reported up in price in October for 7th consecutive month; **Nickel** — 2nd consecutive month (used heavily in making stainless steel, plating metals, and batteries); **Steel** — Some reports of price increases; **Steel Scrap** — 2nd consecutive month; **Alloy Metals; Zinc** — 5th consecutive month; **Bearings** — 2nd consecutive month, after being reported up in price in August for the 23rd time in 26 months; **Containerboard; Wood Pulp** — 2nd consecutive month; **Cotton Yarn; Benzene** — Used heavily in making medicinal chemicals, dyes, varnishes, lacquers, and resins; **Chlorine** — Used heavily in bleaching paper and fabrics, purifying water and in making synthetic rubber, plastics, and other chemicals; **Phenol** — Used heavily in making phenolic resins; **Titanium dioxide** — 2nd consecutive month (a lead-free pigment used as a whitener in coatings, paints, paper, and other industrial applications); **Styrene** — Used chiefly in making polystyrene, synthetic rubber, latex, polyester resins, and plastic products such as dinnerware, paneling, boat hulls; **Toluene** — Used heavily in making explosives, dyes, and benzoic acid, as a solvent in paint and as a gasoline additive; **Xylene** — Used heavily in making benzoic acid, phthalic anhydride, polyester fibers, and dyes; **Connectors; DRAMS** — 7th consecutive month; **Memory Circuits; Printed Circuit Boards; High Fructose Corn Syrup** — 2nd consecutive month; **Milk; Orange Juice; Soybean Oil; Sugar** — 5th consecutive month; **Turkey Meat**.

BUYING POLICY

Leadtimes for Capital Expenditures and Maintenance, Repair, and Operating (MRO) Supplies declined in December but lengthened for Production Materials. The average leadtimes for Capital Expenditures decreased significantly to 139 days in December, down from 149 days last month and along with July 1990, is the least since November 1985 (134 days). This is consistent with the cutbacks in Capital Expenditures reported by purchasers in their latest semiannual forecast. The average leadtimes for Production Materials lengthened in December to 47 days, up from 45 days last month. The average leadtimes for Maintenance, Repair, and Operating (MRO) Supplies decreased to 23 days, down from 25 days in November but identical to September and October.

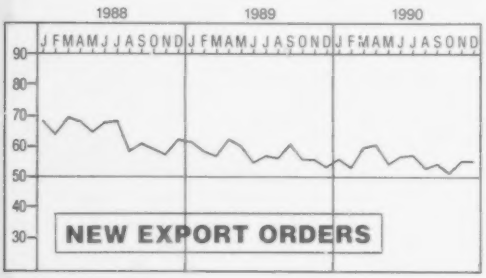


PERCENT REPORTING

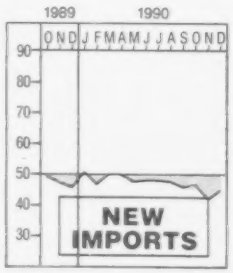
Capital Expenditures	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. and Longer	1 Year + Days	Avg. Days
December	13	7	10	23	33	14	139
November	11	7	13	18	34	17	149
October	12	7	12	24	28	17	143
September	12	8	12	19	34	15	143

Production Materials	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. and Longer	1 Year + Days	Avg. Days
December	21	43	22	10	2	2	47
November	18	44	26	9	2	1	45
October	20	39	26	12	2	1	46
September	19	42	24	12	2	1	46

MRO Supplies	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. and Longer	1 Year + Days	Avg. Days
December	46	43	8	3	0	0	23
November	43	45	8	3	1	0	25
October	46	41	10	3	0	0	23
September	42	48	7	3	0	0	23



New Export Orders increased in December marking the third consecutive year of growth. The New Export Orders Index, not yet seasonally adjusted, remained at 55.0%, the same as in November and very close to the average for the year (55.3%). The percentage of members exporting was 74% in December, the same as the year average (74%).



Imports declined in December for the eighth consecutive month. The Imports Index, not seasonally adjusted, was 44.5%, up from 42.0% in November. This is still below the average for all of 1990 (47.2%). The percentage of members importing was 76%, the same as last month and just under the average for the entire year (77%).

New Export Orders	%Exporting	%Better	%Same	%Worse	Net	Index
December 1990	74	21	68	11	+10	55.0
November 1990	75	21	68	11	+10	55.0
October 1990	74	18	66	16	+ 2	51.0
September 1990	76	20	68	12	+ 8	54.0

Imports	%Importing	%Higher	%Same	%Lower	Net	Index
December 1990	76	8	73	19	−11	44.5
November 1990	76	6	72	22	−16	42.0
October 1990	75	10	73	17	− 7	46.5
September 1990	81	5	81	14	− 9	45.5

DATA AND METHOD OF PRESENTATION

The **Report on Business** is based on data compiled from monthly replies to questions asked of purchasing executives in over 300 industrial companies. Membership of the Business Survey Committee is diversified geographically, based on value added by state, and by Standard Industrial Classification (SIC) category, based on each industry's contribution to Gross National Product (GNP). Twenty industries in 50 states are represented on the committee.

Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured [New Orders, New Export Orders, Imports, Production, Supplier Deliveries (formerly Vendor Deliveries), Inventories, Employment and Prices], this report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction (higher, better and slower for Supplier Deliveries), and the negative economic direction (lower, worse and faster for Supplier Deliveries), and the diffusion index.

Responses are raw data and are never changed. The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive). The resulting single index number is then seasonally adjusted to allow for the effects of repetitive intra-year variations resulting primarily from normal differences in weather conditions, various institutional arrangements and differences attributable to non-moveable holidays. All seasonal adjustment factors are supplied by the U.S. Department of Commerce and are subject annually to relatively minor changes when conditions warrant them. A sufficient history is not yet available for the New Export Orders and Imports Indexes to determine seasonal adjustment factors. Therefore, these two indexes are not seasonally adjusted. The Purchasing Managers' Index (PMI) is a composite index based on the seasonally adjusted diffusion indexes for five of the indicators (New Orders, Production, Supplier Deliveries, Inventories and Employment) with varying weights applied.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. An index reading above 50% indicates that the economy is generally expanding; below 50%, that the economy is generally declining. The distance from 50% is indicative of the strength of the expansion or decline.

Responses to Buying Policy reflect the percent reporting the current months lead time, the approximate weighted number of days ahead for which commitments are made for Production Materials, Capital Expenditures and Maintenance, Repair and Operating (MRO) Supplies, expressed as hand-to-mouth (5 days), 30 days, 60 days, 90 days, 6 months (180 days), a year or more (360 days) and the weighted average number of days. These responses are raw data, never revised and not seasonally adjusted since there is no significant seasonal pattern.